

ORIGINAL

Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

In the Matter of)
Policies and Rules)
Concerning Toll Fraud)

CC Docket No. 93-292

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FEB 10 1994

FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

REPLY COMMENTS OF BELL ATLANTIC

To read the comments filed by two major industry segments -- the long distance carriers and the private payphone providers -- one would think that they were doing everything possible to control fraud, that the "other guys" were not, and that any fraud that did occur was solely the fault of some other part of the industry, typically the local exchange carriers. These intertwined themes lead these commentators to urge the Commission to adopt rules that hold the other guy liable for the costs of fraud in accordance with some notion of "fault."

For the reasons set out in Bell Atlantic's comments, fault-based cost-sharing only encourages the very sort of finger-pointing displayed in these comments.¹ It would perpetuate, and indeed exacerbate, today's atmosphere of blaming others for the problem. The Commission should instead develop principles that

¹ The finger-pointing and burden-shifting is often carried to extraordinary extremes. For example, AT&T argues that exchange carriers should bear the burden for the entire industry of educating the public on how to protect themselves against fraud. AT&T Comments at 4. While Bell Atlantic has tried to educate consumers (a copy of a sample brochure is attached) and has no objection to mailing materials to its customers for other providers (as long as it is compensated for doing so), these other providers must deal directly with their own customers to answer their questions about their own services and how those services can be best used to control fraud.

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encourage members of the industry to recognize that they have a common goal and to work together to control toll fraud.

Even stripping out the regulatory posturing that one would expect from these commentators, many statements made, or impressions left, by these filings are simply untrue:

Many industry participants are not even using the various existing exchange carrier fraud control services:

- Only one interexchange carrier or operator service provider uses Bell Atlantic's originating line screening service.
- Fewer than half the private payphones in Bell Atlantic territory subscribe to international direct dial blocking.²
- The vast majority of interexchange carrier inquiries to LIDB do not contain both the calling and called number. In fact, Bell Atlantic receives only one of these numbers less 40 percent of the time.³ This is in spite of the fact that provision of this information has been a requirement in Bell Atlantic's validation tariff since January 1993.

Many industry participants are not even taking the most basic measures within their own networks to protect themselves and others from toll fraud:

- Some long distance company have systems that "notice" long duration calls only when the calls

² APCC says that its members do not use international blocking because they are not aware of it. APCC Comments at 18-19. Payphone providers served by Bell Atlantic do not have this excuse, as Bell Atlantic has written to all its private payphone customers informing them of the service.

³ The interexchange carrier toll fraud committee suggests that it is sufficient to provide only a code indicating the country of destination, but not the called number. ICICTFS Comments at 15. This information is not enough to let Bell Atlantic's trained fraud investigators do their job. It would only allow Bell Atlantic to deny calls to an entire country; it would not let investigators to target Bell Atlantic's denial by spotting calls to specific fraud "hothouses" in a particular country.

are being processed for billing. These companies have done nothing to spot these calls while they are in progress, when the extent of the fraud could be reduced.

- At least some long distance companies do not disconnect a call after Bell Atlantic has advised them that the calling card being used is no longer valid. One major carrier told Bell Atlantic that 68 percent of its calling card fraud losses occurred *after* it had been told that the card number had been compromised.

- When some long distance companies believe that a card number has been compromised, they will deny the use of that card on their own network but will not notify the card issuer so that it can protect other carriers by denying the card in LIDB.

- Most long distance companies do not regularly obtain customer verification and acceptance of billing on third-number billed calls.⁴

Misstatements do not become true merely by being repeated:

- In spite of interexchange carrier unsupported claims to the contrary,⁵ the data in Bell Atlantic's LIDB systems are accurate and current.

- The fact, even if true, that interexchange carrier proprietary cards may experience less fraud than widely honored exchange carrier cards⁶ does not mean that the exchange carriers are lax in their fraud control measures. It is not surprising that there will be less fraud where a single company has complete control over the network and the validation system and, therefore, has all the tools necessary to control fraud.

- APCC claims that exchange carriers have not implemented the industry agreement concerning

⁴ Validation of such calls in LIDB means only that the customer has not indicated a blanket refusal to pay for all such calls.

⁵ *E.g.*, MCI Comments at 11.

⁶ AT&T Comments at 32.

renumbering private payphones.⁷ At least as to Bell Atlantic, this is untrue. Moreover, the total of operator-handled fraud on private payphone providers in Bell Atlantic territory (which includes the kind of fraud that the renumbering was intended to prevent) amounted to only \$44,000 in all of 1993.

- APCC is also wrong when it says that exchange carriers are "completely insulated from liability for fraudulent calls made from their payphones."⁸ Bell Atlantic must bear the cost of fraudulent 1+ interexchange, including international, calls made from its payphones.

These comments are the natural product of the current system -- and the system that these commentators generally want to continue -- a system in which a provider tries to avoid bearing a share of the industry's cost of fraud by claiming to be blameless. These comments are further evidence why the Commission should change the system.

Even where every existing fraud control mechanism works flawlessly, fraud will happen. Even if every carrier sent calling and called number to Bell Atlantic's LIDB and advised Bell Atlantic of long duration calls, and even where Bell Atlantic had implemented fraud thresholds agreed to by all the carriers, fraud could occur before the threshold had been reached or any suspicious calling pattern had appeared. In such cases, under Bell Atlantic's proposal all affected providers would share in the costs that the fraud had imposed.⁹ This would give all carriers the incentive to

⁷ APCC Comments at 3 n.1.


⁸ *Id.* at 7.

⁹ AT&T and others would hold the card issuer liable for this fraud. *E.g.*, AT&T Comments at 31.

cooperate with each other, knowing that if they did, they would not be left to bear the entire cost of the fraud.

The comments demonstrate that the Commission must take the lead in showing the rest of the industry that there is a better way to deal with a problem that faces all providers. It is through cooperation, not contention, that the industry will best be able to control fraud. The Commission should, therefore, adopt rules like those suggested by Bell Atlantic that encourage cooperation, not rules that perpetuate the status quo.

Respectfully submitted,



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Dated: February 10, 1994

 **Bell Atlantic**

P H O N E
F R A U D



*Freddie,
the Phone
Fraud Fox*

**BE AWARE
PHONE
IS EVIL**

OUTFOX PHONE FRAUD!

Don't look now, but telephone fraud could be happening right behind your back!

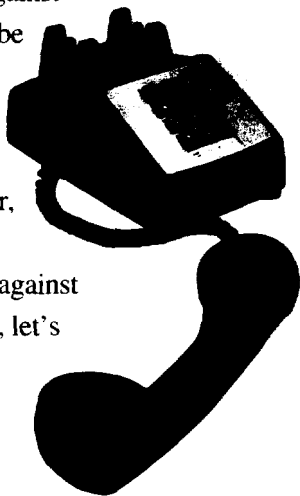
Telephone fraud is a subtle, but fast-paced crime that rings up over \$5 billion in fraudulent phone charges and victimizes millions of people each year.

It happens so quickly that criminals, called "shoulder surfers" — by watching or listening as calling card customers enter their calling card numbers and PINs on pay phones — can steal the codes and put them into use just seconds later.

But telephone fraud is more than just "shoulder surfing." It can happen in your own home. Fraudulent third-party charges and collect calls, deceptive investment schemes or phony vacation packages sold over the phone, and merchants who take your calling card number when requesting identification are among the many ways these criminals can outfox you.

So Bell Atlantic has decided to fight back with the opening of a new Fraud Prevention Center — a 24-hour-a-day, 365-days-a-year operation with skilled investigators and state-of-the-art technologies aimed at quickly detecting Bell Atlantic® IQ Card®, third-party and collect call fraud.

But the battle against phone fraud cannot be won without your help. As a calling card or residential or business customer, you are the best preventive measure against this crime. Together, let's outfox phone fraud!



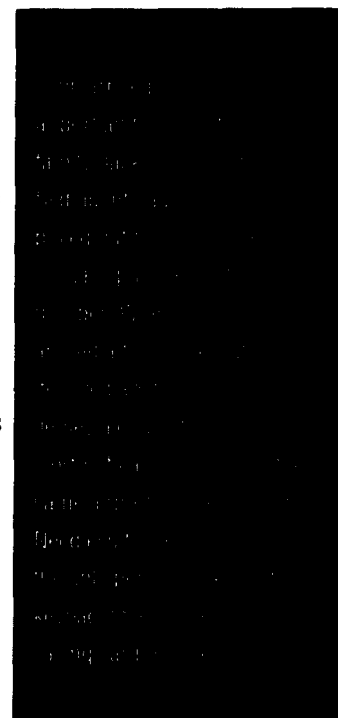
HOW TO OUTFOX PHONE FRAUD

When using your calling card...

- **Make sure no one sees you key in your calling card number or overhears you stating it to the operator.** Block the view of the keypad and speak directly into the phone in a quiet voice. When possible, use a phone that reads your card automatically.

- **Do not use your IQ Card as an identification card.** Use your driver's license or some other form of ID when dealing with merchants, telemarketers and other "salespeople."

- **Beware of individuals who call you at home requesting calling card verification.** Bell Atlantic and other telephone companies will *never* call you to ask for your card

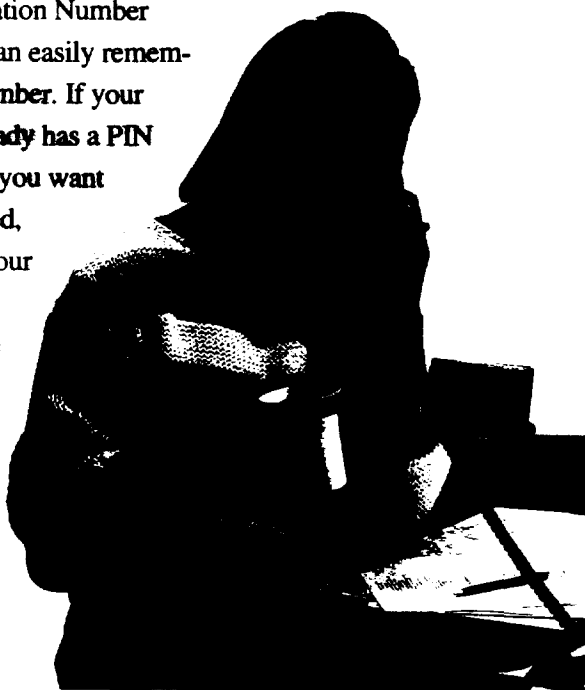


number over the phone. Only when you *make* a call through an operator should you give out your calling card number.

- **Report a lost or stolen card immediately.** The moment you suspect that your IQ Card has been lost, stolen, or otherwise compromised, report it immediately by calling 1-800-745-6989. Bell Atlantic will cancel your card number and issue you a new card.

- **Protect and memorize your calling card and PIN number.**

Select or change your Personal Identification Number (PIN) to an easily remembered number. If your card **already has** a PIN on it and you want it removed, contact your local telephone company business office.

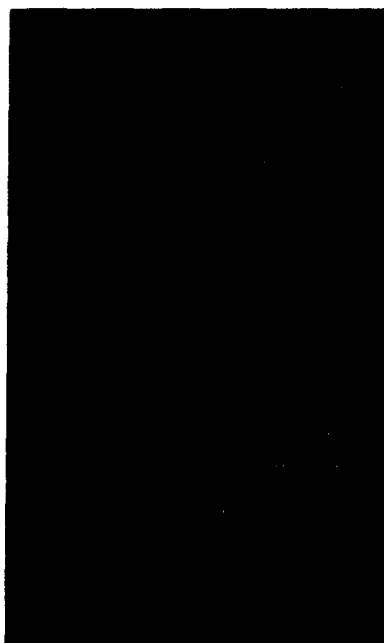


When at home

- **Don't accept third-party or collect calls that are suspicious or from someone you do not know.** When you accept, you have agreed to pay for the charges.

- **Telephone companies or law enforcement officials will never ask customers to accept collect or third-party charges *as part of an investigation*.** Only if you *make* a call through an operator will a telephone company representative request specific billing information.

- **Restrict third-number or collect calls from being made to your home or business.** Bell Atlantic offers this service, thus preventing fraudulent calls from being billed to your line. Call your local telephone company business office for more details.



The Bell Atlantic Fraud

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your local telephone

company business office.

® Bell Atlantic

For additional copies call 1-800-809-8898

CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing "Reply Comments of Bell Atlantic" was served this 10th day of February, 1994, by first class mail, postage prepaid, on the parties on the attached list.

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